



BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

AUG 22 2002

DOCKETED BY

CP

IN THE MATTER OF THE APPLICATION OF
FRONTIER COMMUNICATIONS OF AMERICA,
INC. FOR A CERTIFICATE OF CONVENIENCE
AND NECESSITY TO PROVIDE COMPETITIVE
RESOLD INTEREXCHANGE
TELECOMMUNICATIONS SERVICES, EXCEPT
LOCAL EXCHANGE SERVICES.

DOCKET NO. T-04036A-01-0579

DECISION NO. 65105

ORDER

Open Meeting
August 20 and 21, 2002
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On July 24, 2001, Frontier Communications of America, Inc. ("Applicant" or "Frontier") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive resold interexchange telecommunications services, except local exchange services, within the State of Arizona.

2. Applicant is a switchless reseller that purchases telecommunications services from a variety of carriers for resale to its customers.

3. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") are public service corporations subject to the jurisdiction of the Commission.

4. Frontier has authority to transact business in the State of Arizona.

5. On September 6, 2001, Frontier filed an Affidavit of Publication indicating compliance with the Commission's notice requirements.

1 6. On March 6, 2002, the Commission's Utilities Division Staff ("Staff") filed a Staff
2 Report in this matter recommending approval of the application subject to certain conditions, and
3 making other recommendations.

4 7. In its Staff Report, Staff stated that based on information obtained from the Applicant,
5 it has determined Frontier's fair value rate base is zero, and is too small to be useful in setting rates.
6 Staff further stated that in general, rates for competitive services are not set according to rate of return
7 regulation, but are heavily influenced by the market. Staff recommended that the Commission not set
8 rates for Frontier based on the fair value of its rate base.

9 8. Staff believes that Frontier has no market power and that the reasonableness of its
10 rates will be evaluated in a market with numerous competitors. In light of the competitive market in
11 which the Applicant will be providing its services, Staff believes that the rates in Applicant's
12 proposed tariffs for its competitive services will be just and reasonable, and recommends that the
13 Commission approve them.

14 9. Staff recommended approval of Frontier's application subject to the following:

15 (a) The Applicant should be ordered to comply with all Commission rules, orders,
16 and other requirements relevant to the provision of intrastate telecommunications
17 service;

18 (b) The Applicant should be ordered to maintain its accounts and records as
19 required by the Commission;

20 (c) The Applicant should be ordered to file with the Commission all financial and
21 other reports that the Commission may require, and in a form and at such times as the
22 Commission may designate;

23 (d) The Applicant should be ordered to maintain on file with the Commission all
24 current tariffs and rates, and any service standards that the Commission may require;

25 (e) The Applicant should be ordered to comply with the Commission's rules and
26 modify its tariffs to conform to these rules if it is determined that there is a conflict
27 between the Applicant's tariffs and the Commission's rules;

28 (f) The Applicant should be ordered to cooperate with Commission investigations
 of customer complaints;

 (g) The Applicant should be ordered to participate in and contribute to a universal
 service fund, as required by the Commission;

1 (h) The Applicant should be ordered to notify the Commission immediately upon
2 changes to the Applicant's address or telephone number;

3 (i) If at some future date, the Applicant wants to collect from its customers an
4 advance, deposit or prepayment, it must file information with the Commission for
5 Staff review. Upon receipt of such filing, Staff will review the information and
6 forward its recommendation to the Commission;

7 (j) The Applicant's interexchange service offerings should be classified as
8 competitive pursuant to A.A.C. R14-2-1108;

9 (k) The Applicant's maximum rates should be the maximum rates proposed by the
10 Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive
11 services should be the Applicant's total service long run incremental costs of
12 providing those services as set forth in A.A.C. R14-2-1109; and

13 (l) In the event that the Applicant states only one rate in its proposed tariff for a
14 competitive service, the rate stated should be the effective (actual) price to be charged
15 for the service as well as the service's maximum rate.

16 10. Staff further recommended that Frontier's Certificate should be conditioned upon the
17 Applicant filing conforming tariffs in accordance with this Decision within 365 days from the date of
18 an Order in this matter, or 30 days prior to providing service, whichever comes first.

19 11. Frontier's proposed tariff indicates that it does not intend to collect advances,
20 prepayments or deposits from its customers.

21 12. Frontier provided its unaudited financial statements for the period ending December
22 31, 2000. The financial statements list assets of \$19.6 million, equity of \$4.0 million and a net loss of
23 \$82,292.

24 13. Staff recommended that if the Applicant fails to meet the timeframes outlined in
25 Findings of Fact. No. 10, then Frontier's Certificate should become null and void without further
26 Order of the Commission, and that no time extensions for compliance should be granted.

27 14. The rates proposed by this filing are for competitive services.

28 15. Staff's recommendations as set forth herein are reasonable.

16. Frontier's fair value rate base is zero.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the

Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. Applicant's provision of resold interexchange telecommunications services is in the public interest.

5. Applicant is a fit and proper entity to receive a Certificate as conditioned herein for providing competitive resold interexchange telecommunications services in Arizona.

6. Staff's recommendations in Findings of Fact Nos. 7, 8, 9, 10 and 13 should be adopted.

7. Frontier's fair value rate base is not useful in determining just and reasonable rates for the competitive services it proposes to provide to Arizona customers.

8. Frontier's rates, as they appear in its proposed tariffs, are just and reasonable and should be approved.

ORDER

IT IS THEREFORE ORDERED that the application of Frontier Communications of America, Inc. for a Certificate of Convenience and Necessity for authority to provide competitive resold interexchange telecommunications services, except local exchange services, is hereby granted, conditioned upon its compliance with the conditions recommended by Staff as set forth in Findings of Fact No. 10 above.

IT IS FURTHER ORDERED that Staff's recommendations set forth in Findings of Fact Nos. 7, 8, 9, 10 and 13 above are hereby adopted.

IT IS FURTHER ORDERED that Frontier Communications of America, Inc. shall comply with the adopted Staff recommendations as set forth in Findings of Fact Nos. 9 and 10 above.

IT IS FURTHER ORDERED that if Frontier Communications of America, Inc. fails to meet the timeframes outlined in Findings of Fact. No. 10 above, then the Certificate conditionally granted herein shall become null and void without further Order of the Commission.

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IT IS FURTHER ORDERED that Frontier Communications of America, Inc. shall not require its Arizona customers to pay advances, prepayments or deposits for any of its products or services.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

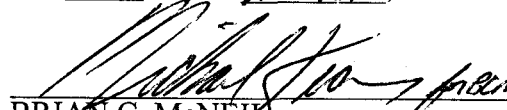
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 22nd day of AUGUST, 2002.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT
PD:mlj

1 SERVICE LIST FOR: FRONTIER COMMUNICATIONS OF AMERICA, INC.

2 DOCKET NO.: T-04036A-01-0579

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